

Chapter 1

A New Paradigm for International Cooperation: Environment Development Management in Belarus, Russia and Ukraine”

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“Build it, they will come...”
Says a voice in the movie “Field of dreams”

Section 1

Alliances and Cooperation: Emergence of a New Post-War Paradigm

Since the time of Pax Romana in the fifth century, European societies have experienced recurrent war for almost fifteen centuries. The causes of war may be found in the pathology of nations, leaders and communities. Wars were fought for political or strategic reasons, for religious motives, and for commercial advantage. In pre-industrial Europe the economic doctrine of mercantilism that guided the policies of most trading countries transformed, in effect, commercial competition into étatist rivalries to control access to markets and/or sources of supply. The emphasis in mercantilism on the possession and accumulation of specie, that is gold or silver, as the prime indicator of national wealth and well-being had far-reaching implications for conduct of states. Countries tended to focus their efforts and energies on maximizing the accumulation of specie through conquest and protectionism at the expense of genuine trade and international cooperation. International relations were shaped by temporary alliances designed to foment coalition warfare against commercial rivals, with the victors winning the spoils. War represented, in that context, mercantilism by violent means.

For almost fifteen centuries European countries demonstrated their affinities for warfare and commercial jousting, which reached its most destructive levels in 1939 - 1945 (though historians would properly date the beginnings of German, Italian, Japanese and Soviet aggression much earlier, to the early 1930s).

Using traditional games to better understand

In an attempt to better understand the dynamics of inter-state conflict, two high-ranking French civil servants, F. Pingaud and P. Reysset, wrote an insightful book comparing alternative approaches to what we might call 'strategic games'.^a Their analysis compares the Asian game of Go and the European game of Chess in terms of their implications for strategic behaviour. They argue that these games exemplify the values, goals and behavioural patterns that characterize the strategic cultures of the societies whence they emerged. They further maintain that the ensuing 'game strategies' feed-back into and inform a strategic mind-set that prescribes the behavioural propensities of the countries concerned, thus further reinforcing their characteristic strategic cultures.

As Pingaud and Reysset point out, the objective of the game of chess is to capture ("kill") the rival King. The game has a single, supreme goal: to eliminate the opposing King and thus to destroy the rival side. There is no ambiguity in purpose, values or ends. The strategic consequences are daunting: pawns and other chess pieces (except the King) are expendable if and when their sacrifice can confer a tactical advantage. A nul, or a compromise, may be sought to avoid a humiliating outcome. However, in the last analysis, in chess victory for one side is absolute, defeat for the other is total.

By way of contrast, Pingaud and Reysset call attention to the more ambiguous, synergetic inter-play associated with the Japanese game of Go. The object of this game is to enlarge one's vital space by gaining territory. However, the goal is not to kill or avoid being killed, but rather to live and to construct. The strategic dynamics of Go reflect this constructive thrust. Thus, pawns, if surrounded, become the possession of the adversary; they are not 'eliminated' but rather are taken over, or subjugated. Because this may imply a certain ambiguity in relative strength, victory in Go is determined by agreement among the players following a general count of all points. Victory or defeat are often relative and reaching equality is a good omen rather than a nul outcome. As compared to chess, where the loser is defeated and humbled, Go players are predisposed to try not to humiliate the adversary but rather to share an experience and comment upon it.

Pingaud and Reysset claim that societies define their approaches to strategy and conflict, their societal relations and national goals, according to some fundamental, over-arching paradigm. For Europe, the governing paradigm for international relationships between Pax Romana of the fifth century and the end of World War II in 1945 clearly derived from the game of chess. .

After 1945, the 'Western' countries which allied together to form what later became known as the Organization for Economic Cooperation and Development (OECD) underwent a paradigm shift in favour of a fundamentally new paradigm for cooperative internationalism. Some might argue that the assumptions implicit in the traditional 'chess paradigm' were so widely entrenched by that time that the emergence of a 'cooperation paradigm' denoted

something of a utopian counter-intuitive fantasy. Be that as it may, the emergent post-war cooperation paradigm inspired and gave expression to the new pattern of cooperative international relations involving Western Europe and North America. This paradigm shift culminated, institutionally, in the formation of the OECD, NATO, and European Economic Communities (now the European Union).

The cooperation paradigm differs in its essentials from the conventional treaty alliances and coalition arrangements entered into by states. In the chess paradigm, alliances form an integral part of the game strategy, where powerful states seek pawns to deploy and weak states seek the protection of mighty kings. European monarchs were prone to sign all manner of treaties, secret and open, to bolster their relative power. These treaties and coalitions did not, however, alter the essentially predatory rules of international behaviour, unlike the cooperation paradigm, which is predicated on the synergy of partnering and embraces connectivity, networking, and information-sharing. The use of the term 'alliance' to describe an arrangement like the OECD, NATO, or EU would be misleading in the sense that it trivializes the scope and depth of the cooperation they embody. By contrast, the arrangements put in place by the USSR and its Eastern European neighbours were more akin to traditional alliance architecture, though subject to powerful ideological control.

Sub section 1.2 The four characteristics of the new paradigm

The cooperation paradigm has several characteristics that distinguish it from the traditional chess-related strategy, and which seem to be more broadly consistent with synergetic strategic outlook associated with the game of Go. Four factors are especially salient in this respect:

(1) The cooperation paradigm suggests that synergetic partnering among countries offers a more effective, more efficient and more resilient approach to enhancing the wealth of each country and all countries. This denotes a radical departure from the earlier mercantilist assumption that the wealth of nations derives from possession and control of territories, people and resources, which promoted policies of conquest and protectionism.

However, it is important to note that cooperation among countries may, in certain circumstances, itself give rise to perverse attempts to control the new wider markets by fostering monopolies and oligopolies or regional protectionist blocs. For cooperation to be effective in improving economic efficiency, therefore, any tendency towards market control must be counterbalanced by measures designed to **stimulate competition among individuals and commercial organizations.**

(2) The paradigm for international cooperation considers **information to be the life-blood of the new, wider economic system, and indeed it requires that information flow freely, openly and according to the highest standards of reliability** to all

prospective users. From the outset, the OECD has been tasked with maintaining for its member countries a flow of economic information, of safeguarding the reliability of its data even from distortions from members' own inclinations. This approach to information in the cooperation paradigm may be contrasted with the concealed treatment of information in mercantilist type regimes, where economic or industrial data were usually deemed to have strategic value and were therefore protected as state secrets. Information was certainly not to be shared with competing countries.

The open approach to economic information in the cooperation paradigm also necessitates some measures for **protection of personal rights and of privately owed information such as patents and copyrights**. Otherwise, cooperation in sharing information could have the perverse consequence of deterring the creation and development of new knowledge. For cooperation to be effective and efficient, the state must ensure that the ownership of intellectual property is protected with as much care and firmness as was the physical property of, say, landlords in times past.

(3) It is implicit in the cooperation paradigm that a sense of confidence and connectivity is a prerequisite for human creativity and development in an open, international system. The concept of confidence^b for present purposes covers a wide range of attributes to personal security, including: confidence in one's society; self esteem; openness of mind; tolerance of others and of new ideas; accountability for one's actions; responsibility; confidence in the value of scientific and technical innovation; and acceptance of diffusion of one's culture. It is clear that within the OECD levels of confidence in and among the member countries have heightened exponentially during the past forty years along with, and contributing to, their economic expansion.

Connectivity complements confidence, and provides the pathways and linkages for the transmission and dissemination of knowledge and information pertaining to cooperation for development and growth. It is connectivity that enables the flow of ideas and of goods and services within the framework of cooperation, and this in turn bolsters confidence and is itself the result of increased confidence. Without connectivity, ideas cannot circulate and function as equalizing agents. Ideas, in the form of knowledge, may be embodied in material products, in technical services, in cultural artifacts, in books, film and electronic media. Increasingly they are being circulated via computerized telecommunication networks like the World Wide Web.

The international dissemination of knowledge is intimately wrapped up with the flow of trade and investment. Given the increasing value attributed to knowledge as a factor of production, as demonstrated by the heightened attention to intellectual property rights, trade patterns and investment flows are increasingly tending to reflect differences in knowledge endowments and knowledge capabilities among countries. Countries that invest in knowledge creation and dissemination acquire important competitive advantages over those that lag behind in developing knowledge-based economies. Countries with otherwise poor natural resource endowments like Japan, the Netherlands,

Singapore and Israel have built up a strong capacity for trade based on knowledge-intensive industries. Even large, resource-abundant economies like Canada and the United States saw their traditional areas of comparative advantage enhanced and new globally competitive industries emerge as a result of knowledge-based developments.

Knowledge is the ultimate product of human resource development. The capacity for knowledge creation can move with human migrations, as countries gain and lose people with potential for new ideas. The global web of communications infrastructure facilitates exchanges and transfers of knowledge and ideas. If infrastructure for communications is low-cost and easy to access, this could help countries and communities which have a knowledge-deficit to access the resources of knowledge-intensive societies, and thus facilitate their own creative efforts and development potential.

(4) Information, in the cooperation paradigm, is shared through networks that connect people, institutions, and/or operations. Connectivity through these networks has become an extremely efficient means to disseminate the ideas and knowledge about technological development and transfers of technology. Networks thus sustain and accelerate economic growth.^c

Closely related to information networking are the standards, the documented agreements on technical specifications or other precise criteria to be used consistently as rules, guidelines, or characteristics, to ensure that materials, products, processes and services are suitable for their purpose. Agreement on standards creates confidence in the reliability and effectiveness of the goods and services concerned. By ensuring the quality of information flowing through these networks, confidence can be built up among trading partners, whether countries or between producers and consumers, in a way that nurtures connectivity and supports trade expansion and economic growth. For cooperation to be effective, **networks and quality standards are needed to bridge the information and knowledge gaps between partners, and thus they play an instrumental role in the promotion of development efforts.**^d

Sub section 1.3 The overall impact of the new paradigm

The post-war shift to a cooperation paradigm served to open up new opportunities for economic and technological innovation by liberating and facilitating human creativity. The most valuable resource of the human mind is its capacity for creativity. Through the synergy associated with international cooperation, and its elements of confidence, information openness, connectivity, networks and quality standards, the cooperation paradigm can widen the horizons of creativity and facilitate the spread of knowledge products broadly among trading partners, and even beyond, to a lesser degree. In other words, the cooperation paradigm yields economies of scope and scale for creativity and innovation. These economies of scope and scale for their emergent knowledge sectors contributed substantially to the sustained growth of OECD economies since 1945.

Countries that did not participate in this cooperation effort incurred significant opportunity costs in terms of the development that was foregone. Once the cooperation paradigm shift occurred, so substantial was its developmental momentum that other countries could not be indifferent to its potential. Some, like the developing countries of East and Southeast Asia, re-aligned themselves by opening up to certain elements of the cooperation paradigm, though not all. To that extent these countries were able to participate in the upsurge of developmental cooperation. Other countries in Africa, the Middle East, and Eastern Europe remained more-or-less closed, and therefore found themselves excluded from the synergy of international cooperation. Not only did these countries forego opportunities for a knowledge-based developmental transformation, but their laggard economies actually degenerated into an anti-development syndrome, as they lagged further and further behind. In the USSR, for example, this process of anti-development was associated with a worsening failure of confidence, inadequate connectivity (even internal), ambiguous quality standards that were never universally applied, and networks that flowed vertically rather than horizontally, thus militating against the spread of creativity and innovation.

Paradigm shifts, it should be noted, do not necessarily occur immediately, coherently or holistically. Behavioural patterns and attitudes change slowly and gradually, and sometimes even partially and incrementally. Every society faces a complex variety of individuals, groups and attitudes, some flexible, others rigid; some outward-oriented, others inward-oriented; some amenable to innovation and progress, others resistant to change. Most modern societies tend to respond to this complexity of expectations by simultaneously promoting developmental change and encouraging stability (stasis), pushing on both the accelerator and the brake, as it were, albeit in different domains. This perceived ambiguity can sometimes complicate the observation of paradigm shifts. In such cases, the extent of the paradigm shift may only be fully revealed over a considerable span of time.

The operations of a many cooperation mechanisms enabled OECD member countries to attain progressively higher levels of confidence. This, in turn, generated an upsurge of human creativity touching most areas of life: new solutions were found to old problems, and new challenges were addressed and solutions found. Along with creativity came new employment opportunities. This nexus between cooperation, creativity and employment led to increases in both levels of income and social equity in OECD countries that are unparalleled historically.

Part 2: From Paradigm Shift to Institutional Activities

Implementation of the new post-war cooperation paradigm involved the establishment of various kinds of institutional mechanisms and policy regimes at different levels of partnering and for various purposes. These may be grouped together in terms of the following typologies:

Sub section 2.1 Multilateral organizations with universal membership

The United Nations specialized agencies

The specialized agencies of the United Nations are open to all member states and even non-members, in certain cases. Among these are included the UNDP, FAO, WHO, UNIDO, UNESCO, IFAD, ITU, ILO, ICAO, IMO, UNICEF, UNEP and WMO. Most of these multilateral agencies have specialized, sector specific mandates. Each has its own governing body, composed of delegates from member countries, which meets annually to adopt policies and programs and approve budgets. Member states have one vote in the governance of these multilateral organizations, irrespective of country size, population, income level or financial contribution. Executive responsibilities are vested in a president and are administered by a professional secretariat. Staffing of these bureaucracies is typically representative of the diversity of the membership. Operating and program costs are shared according to some burden-sharing formula based on relative affluence.

The Bretton Woods financial institutions

Whereas the World Bank Group and International Monetary Fund are also specialized agencies of the United Nations, their structure differs in that membership is open only to those countries willing to pay subscriptions and purchase shares. The USSR declined to join initially. Governance of the World Bank and IMF is vested in their respective annual meetings of Governors (usually the Ministers of Finance of member countries). Voting is weighted in proportion to the number of shares held by each country, with the United States obtaining the largest number of shares and votes and other countries getting shares/votes according to a burden-sharing formula based on their relative economic attainments. Each multilateral institution has a Board of Directors to supervise the flow of programs and activities. Since there are a limited number of Executive Directors (15 to 25), each Director represents several countries, which become their "constituencies."

The multilateral financial institutions are managed like banking organizations, which is how they define themselves. Each institution must remain financially viable in its own right, since it operates as a financial intermediary raising funds in world capital markets for on-lending on favourable terms to client countries. Their programs, and especially their lending, are expected to be disciplined and adhere to sound financial and risk-management criteria. In principle, loan approval decisions should be free of political considerations, though this principle has occasionally been breached by some important share-holding countries. The loans they issue are repayable, with interest. Borrowers must repay real cost of the loans plus a fee for administration. Defaults would carry severe sanctions, and there have been none.

In order to address the economic development requirements of poor countries, the International Development Association (IDA) was set up in conjunction with, and complimentary to, the World Bank. IDA does not have staff of its own, but operates through the World Bank, which receives a management fee in compensation. This arrangement ensures that

IDA-supported programs and projects are subject to the same rigorous standards as World Bank-financed activities. Like the Bank itself, IDA is also a financial intermediary, mobilizing grants ("replenishments") from donor countries for on-lending. Eligibility for IDA concessional credits (0 interest, but with a service charge of 0.75% annually) is restricted to the poorest and least creditworthy developing countries, and is reviewed periodically.

IDA funding is allocated to eligible countries in accordance with criteria that are laid down afresh at each tri-annual replenishment. Current criteria emphasize poverty reduction in an environmentally sustainable manner and per-capita income. There are also guidelines for the geographic distribution of IDA resources. Southern Africa is targeted for 45-50% of IDA funding, and so-called blend countries (countries that are IDA eligible but also borrow from the World Bank) 30-35%. Until the mid-1980s, IDA credits were repayable over fifty years with a ten-year grace period; currently the maturity period is forty years for the poorest countries and thirty-five years for others.

The IDA replenishment process also provides a mechanism for donor countries to achieve consensus on the overall thrust of IDA programming for the upcoming three-year funding cycle. The consensus that poverty reduction should have priority has been translated into a strengthened operational focus on basic human resource development and social services, while emphasizing the importance of policy developments that encourage broad-based economic growth.

Sub section 2.2 International and regional organizations with limited membership

Regional financial institutions

Regional development banks have been set up for Asia (Asian Development Bank), Africa, (African Development Bank), the Americas (Inter-American Development Bank), the Caribbean (Caribbean Development Bank), and most recently Central and Eastern Europe (European Bank for Reconstruction and Development), and are modelled broadly on the World Bank prototype. All engage in financial intermediation to mobilise funding for on-lending to regional members. Except for the EBRD, all have a concessionary financing facility funded by grants from donor member countries.

Regional cooperation institutions

Various regions have experienced the emergence of regional organizations designed to promote more-or-less comprehensive economic and social cooperation among countries in the grouping. Membership is typically limited to countries within defined geographic parameters, often by invitation from a core group. Prominent examples include the European Economic Community, now the European Union and the Association of Southeast Asian Nations (ASEAN). These organizations are typically mandated to facilitate a broad range of interactions and to foster closer collaboration in policy and outlook.

Some regional groupings may tend to focus mainly, if not exclusively, on particular issue or sectors of shared interest or concern, like the Club du Sahel, and may thus function more like sector-specific organizations.

Specialized sector-specific regional institutions

There are specialized international institutions whose mandate was determined by some specific concern, interest or agenda. Membership is typically plurilateral, embracing countries that have a shared interest or concern regarding the issue(s) at stake. Examples include Asia Pacific Economic Cooperation (APEC), which largely limits itself to certain defined areas of activity pertaining to economic cooperation, or the Organization of Petroleum Exporting Countries (OPEC). These sector-specific types of international or regional organization may form around any issue that countries deem appropriate for collaborative efforts and where plurilateral synergy and financial support can yield advantages that exceed what might be expected from unilateral action.

Sub section 2.3 International policy regimes and coordinating institutions

Implementation of the cooperation paradigm has been accompanied by the creation of new types of international institutions designed to promote closer coordination and even harmonization of national policies in issue areas where international synergy is sought. In the past, powerful countries attempted to impose on others the same policy standards it took upon itself. During the post-war period, the Western democracies initiated new forms of policy coordination through the establishment of policy 'regimes', such as the General Agreement in Tariffs and Trade (GATT), providing agreed rules-based frameworks for the conduct of international activities. The development and enforcement of these international regimes through the coordinated policy efforts of the countries concerned has militated against arbitrary actions by individual states, on the one hand, and anomalous double standards, on the other. Dedicated organizations were established to help service and enforce the application of these international regimes. The operations of rules-based policy regimes served to create balance and equity among partner countries of varying sizes, populations and economic capabilities, whilst reinforcing the value of international cooperation.

These new types of policy arrangements played an important part in making the post-war peace sustainable. By promoting the equal application of agreed rules to international activities, they helped construct a congenial post-war environment that was conducive to transforming former enemies into partners in international cooperation.

The Organization for Economic Co-operation and Development (OECD) ^e

The establishment of the predecessor to the OECD in 1948 proved to be a landmark event in the development and application of the cooperation paradigm. The other attempt at creating a

formal institution to manage an international policy regime, the International Trade Organization, was stillborn. However, the Organization for European Economic Cooperation (OEEC) was set up to manage the Marshall Plan, with membership limited to the countries concerned, and by 1961 this had evolved into the somewhat broader based OECD.

The OECD groups together countries that share the same political outlook (democracy), economic system (market economy), and level of industrial development. Its purpose has been and is to facilitate policy dialogue and co-ordination among its members with a view to creating common frameworks for economic and social policies, common definitions for national accounting purposes, and common standards for assessing performance. It conducts studies and proposes policy designs intended to improve the quality of economic management or to derive lessons learned from comparisons of sector performance (eg. agriculture, transportation) across different countries. The OECD does not disburse funds and does not engage in programming for specific sectors of concentration. OECD member countries are themselves expected to adhere to mutually agreed principles, policy norms and definitions.

In my judgment, the OECD has played a catalytic role in the creation of wealth among countries of the 'West' (members now include Japan, South Korea, Australia and New Zealand). Such is the power of standards and the significance of international policy regimes.

International policy enforcement mechanisms

The OECD has established certain mechanisms to help address the challenges of enforcing international policy regimes in the absence of more formal systems of global governance. These mechanisms functioned within the consensus arrangements of the OECD, and were managed through the OECD itself without permanent staffing or administrative systems of their own. For delinquent borrowers of official loans the mechanism was the so-called 'Club of Paris', an ad-hoc arrangement of the OECD; as regards unfair trade subsidies the mechanism was the OECD "consensus arrangement"; for matters concerning aid policy and criteria it was the Development Assistance Committee of the OECD. This approach to enforcement enabled the OECD to achieve a fair measure of coherence and consistency (if not participatory universality) in the making and application of its international policy regime.

Sub section 2.4 The North Atlantic Treaty Organization (NATO)

Whereas NATO was originally established as an instrument of traditional alliance politics to deal collectively with the defence of Western Europe, it soon evolved into a security component of the new post-war cooperation paradigm. In keeping with this transformation, NATO military officers, defence planners and strategic thinkers were gradually but systematically co-opted into this new way of managing security policy.

Section 3

International development cooperation

The initiation of international cooperation for post-war reconstruction and development represented a conceptual watershed in the formulation and application of the cooperation paradigm. Beginning with the Marshall Plan for European reconstruction and continuing through the evolution of development assistance, aid was to play a crucial enabling role in the renewal of international economic relationships in post-war Western Europe and in the developing world after independence. The establishment of programs and mechanisms for the transfer of assistance from better-off donors to needy recipient countries was not merely complementary to commercial flows, but also in many instances aid actually led the rehabilitation of trade and investment. Aid was not a substitute for trade and investment, rather it exemplified a shift from traditional mercantilist precepts to a new perspective that situated commercial relations within the cooperation paradigm. Moreover, the precedent of economic cooperation helped almost everywhere to bolster the political sense of confidence, the institutional capabilities and the structural symmetry that facilitated and indeed stimulated the accelerated expansion of international economic linkages.

Sub section 3.1 The Marshall Plan

The principles of aid were initially formulated in conjunction with the Marshall Plan for post-war European reconstruction. This transfer mechanism was designed to provide American capital goods, equipment and resources on concessional terms to war-damaged Europe in order to help accelerate the rehabilitation of their productive systems. Though invited to participate, the Soviet Union refused to take part and even prevented its satellites in Eastern Europe from doing so. Not only did this act of denial deprive these countries of economic assistance, it effectively severed Eastern Europe and the USSR from the newly emergent patterns of cooperation that were reshaping the economies and societies of Western Europe and North America.

Meanwhile, the Marshall Plan helped restore the productive capacity of Western European in a relatively short time and paved the way for closer regional cooperation within Western Europe starting with the European Coal and Steel Community and culminating in the European Communities/European Union. Europe repaid its debt to the Marshall Plan both financially and through its subsequent achievements in sustained economic growth.

Sub section 3.2 The Colombo Plan

The Colombo Plan had its conceptual origins in the British Colonial Welfare and Development Acts of 1940 and 1945. Encouraged by the precedent of the Marshall Plan, but constrained by the chronic weakness of the post-war British economy, countries of the Commonwealth (including Canada) grouped together to formulate a plurilateral framework for transferring resources to Asian developing countries, based on the same principles of

international assistance. This became the Colombo Plan, inaugurated in 1950. Transfers of assistance through the Colombo Plan emphasized capital goods, equipment and industrial raw materials deemed necessary to help the developing economies overcome infra structural bottlenecks to their economic growth. However, the Colombo Plan provided as well for food aid, technical assistance and transfers of technology and knowledge with a view to helping countries maintain social stability and advance to higher stages of development.

Sub section 3.3 Official Development Assistance (ODA)

The evolution of ODA since the Colombo Plan and until the present has been guided by principles and rules adopted by the OECD Development Assistance Committee (DAC). These principles and rules are generally designed to enhance the elements of development cooperation inherent in aid while mitigating the more mercantilist elements involved in procurements and deliveries.

Neo-mercantilism always looms in aid transfers, inasmuch as ODA involves subsidized procurements and deliveries of tradeable resources - whether goods or services or knowledge - from donors to recipient countries. Early on, the donor community decided that it would be advantageous to themselves for local political and economic reasons to tie their respective aid contributions to procurements from domestic sources. This was known as 'tied aid'. When the subsidy element in tied aid loomed so large as to threaten to undermine commercial trading relationships, the donor community through the OECD DAC decided to adopt rules to mitigate the deleterious effects of concessional funding on trade and investment. Thus the ethos of cooperation that had been built up within the OECD enabled the donor community to constrain their own otherwise predatory, neo-mercantilist impulses. The DAC likewise formulated rules and standards for areas where ODA could become ambiguous, such as aid quality and concessionality requirements, eligibility, associated financing and the principles underpinning various transfer mechanisms.

Sub section 3.4 Aid and the international projection of ideas

ODA was involved from the outset, explicitly and implicitly, in the global ideological struggle with communism and was envisaged by the Western donor community as a means of projecting the values of democracy and market economics to non-aligned developing countries. Certainly the Colombo Plan was, strategically, a Commonwealth-led effort to bolster the capacity of newly independent India, Pakistan and Sri Lanka (followed later by other countries) to withstand communist subversion by promoting a more effective development model.

In this ideological struggle, the West saw itself as enjoying a clear competitive advantage in the use of ODA to project values, though it remains questionable whether any real leverage was obtained thereby; in response, the Soviet Union and certain Eastern European countries offered their own forms of assistance, with a strong military component, which was particularly effective in cultivating ties with Arab countries. Western ODA excluded military transfers from

the definition, and instead deliberate emphasis was placed on the linkage between development assistance and stability and peace. Indeed, ODA was officially conceptualized in the OECD DAC as "development cooperation," expressing the notion that aid ought to project the ethos of a cooperation paradigm onto the developing world.

The notion of development cooperation carries with it the idea of connectivity, linking people and institutions horizontally and vertically. Aid has thus tended to emphasize the strengthening of communications linkages between and among institutions and communities. There has been aid support for regional cooperation, in South and Southeast Asia, Southern Africa, Latin America and the Caribbean, as an intermediary step toward more widely based, global economic and political arrangements. Innovative aid instruments were introduced to encourage the sharing of resources and knowledge to demonstrate the power of sharing ideas to developing countries. This has contributed to the emergence of a wide array of new communications networks between 'North' and 'South', between OECD countries and the developing world.

Along with information sharing has come the related idea of sharing standards and measurement norms for economic and social development. The availability of standard performance indicators for economic and social development was critical for multinational companies seeking to invest in unfamiliar new markets. Direct foreign investment by multinational countries in developing economies provided significant inflows of capital and technology transfers which combined with local labour and newly created infrastructure (often financed with ODA) to diversify and expand local production capacity. This has resulted in increased employment opportunities and higher levels of economic activity in the developing countries concerned, and an expanding supply of labour-intensive products from developing economies to world markets. Linkages between developed and developing countries, between multinational enterprises and host economies, between direct foreign investment flows and aid financed infrastructure, between productive sector activities and public sector concern for good governance, social development and environmental sustainability, have become increasingly pronounced as part of this globalization trend.

The Marshall plan was formulated in unique post-war circumstances. The Allied War Crimes tribunal at Nuremberg and the imposition of a new, democratic Constitution onto post-war Japan signalled clearly that victorious powers intended to promulgate human rights and democratic values into recently liberated Western Europe and Japan. The founding of the OECD was seen as instrumental to the propagation of these values and to the harmonization of their practices among its member countries. All the key partners shared this perspective: the USA, UK, France, Canada and others. None of these key proponents were prepared to remain complacent in facing the challenges of democratization for post-war Europe and Japan.

The times and circumstances were strikingly different with respect to aid to post-colonial emerging nations. In response to the spread of the Cold War to the emergent Third World, Western donor countries chose to focus on the economic and social dimensions of the post-war paradigm shift in addressing the challenges of development in post-colonial Asia and Africa.

Western aid finance was thus directed mainly at infrastructure development, agriculture, education, and health, a predilection that was shared also by Non-Governmental Organizations (NGOs) operating at the so-called 'grass-roots' level. By contrast, there was little, if any, aid involvement in the more politicized dimensions of the new post-war paradigm: in matters of human rights, personal liberties, governance and democratization.

This bias towards economic and social development, to the neglect of political development, reflected the ambivalence and ambiguities of Western donor and developing country objectives. Developing country governments invoked the high principle of National Sovereignty to exclude external donor interventions in politically or culturally sensitive domestic affairs. Multilateral and bilateral donor agencies were prepared to accept this exclusion, as did most of the NGO community. Aid donors were, in general, willing to rationalize their activities in countries ruled by dictators, where human rights were abused, where governmental transparency was absent. It would seem that a considerable degree of complacency accompanied this attitude on the part of donor governments and NGOs. Thus, Jacques Chirac, then a former Prime Minister and candidate for Presidency of France, declared in 1991 that, in his opinion, "...Africans were not ready yet for multi-party democracy". That perspective which prescribed democracy as pertaining solely to the more sophisticated developed countries was widely held both in the donor community and in the developing world itself.

Progressively, the past fifteen years have seen heightened attention being devoted to environmental and governance issues in the discourse on ODA within the OECD DAC and beyond. Renewed attention has been given to human rights and democratization and to promoting ecologically sustainable developments consistent with the principles of market economies. Among the considerations that prompted this sensitivity to governance and environmental matters was the manifest failure of the centrally planned economies, compared to accelerated growth and improved social equity attained by OECD countries. A conclusion was reached, in OECD circles at least, that its model was working better than any available alternative.

Sub section 3.5 Aid volumes and impact

In assessing the developmental impact of aid, far too much emphasis has been placed - in my opinion - on the sheer volume of ODA. It has often been argued, in both donor and recipient country circles, that the high overall levels of ODA commitment, which peaked at US \$70 billion in 1994, could offer almost interminable support for large-scale infrastructure and social program development in recipient countries. In fact, ODA never represented more than one-third of total financial flows to the developing world. Even for lower-income developing countries, ODA disbursements averaged merely about 5% of their Gross National Product, or about one-sixth of gross domestic investment. For some very small, poor countries, the share of ODA may be larger, since other resource flows were scarce, however the proportional contribution of aid tended to shrink relative to the actual requirements of larger, more populous economies. It is necessary to adopt a realistic perspective on aid resource availability in order to avoid reaching

misleading conclusions or raising implausible expectations.

From our perspective, the essential purpose and role of ODA is to test ideas relating to development in a full scale, and in a relevant, developmental context. Thus, the ultimate significance of aid can only be evaluated with reference to ideas embodied in the project/program design and their developmental implications; for example, the idea of a hydro-electric dam and its economic utility; the idea of a telecommunications facility and of effects on connectivity; the idea of universal primary schooling and of its consequences for income distribution and growth; the idea of a particular technology transfer and of its ramifications on employment creation; etc. It is for the responsibility and benefit of the recipient country to make appropriate use this evaluation. The information yielded should help define future development strategies, investment priorities, technological choices, and - very importantly - management models.

Section 4: The Cooperation Paradigm and the Former Eastern Bloc

In the heady aftermath of the destruction of the Berlin Wall, OECD countries found themselves confronting a dramatic and unprecedented challenge: what to do to assist the USSR and its Eastern European satellite countries achieve a peaceful, stable transition to democratization. Some maintained that the task of political and economic reform was of such magnitude that OECD countries would be called upon to offer a full array of ODA instruments to help these countries overcome their laggard development, while others responded that average real income levels in Eastern Europe and the Former Soviet Union exceeded the eligibility criterion for ODA.

Sub section 4.1 The 'magic' of the market

One of the key arguments was that most of the countries of East and Central Europe and the Newly Independent States (NIS) already possessed, in fact, the human resource and technological endowments necessary to attain considerably higher levels of economic performance. Accordingly, they insisted that these countries required just certain elements of market "know-how," which arguably could be transferred through normal commercial mechanisms and bank loans. To this end, the European Bank for Reconstruction and Development was established as a regional financial institution, albeit without an aid facility analogous to IDA. The 'magic of the market' was expected to do the rest.

Sub section 4.2 Reform: A complex, multi-faceted process

If one accepts the premise of this paper concerning the emergence of a cooperation paradigm, then it becomes clear that the extent of the transformation required in order to bring about the reforms called for in East and Central Europe are over-arching and all-embracing in

scope and purpose. There are three considerations that ought to be taken into account in this regard:

(1) Paradigm shifts can range in significance from a comprehensive transfiguration of the conceptual mind-set to more singular changes in intellectual method. Be that as it may, they reflect, at once, a reoriented perception of the realities in one's environment, and indeed a new perspective of oneself in that reality. A paradigm shift may take place in a nanosecond, or it can take hours, days or even years for the new perceptions of reality and changed perspectives of self in that reality to become internalized.

(2) A decision to reform a part of a social system usually invokes corresponding changes in other related parts of the system. For example, transforming a kolkhoz into a market-oriented farm enterprise implies substantial changes in the life style, corporate identity, leadership, hierarchy and incentives framework in the organization. It is just not possible to simplify and reduce this to merely changing the method of production, or even the ownership structure, as some have claimed.

(3) A stable market economy is not the outcome of some 'Hobbesian' solution to social disorder, neither is it the product of relentless, unfettered acquisitive individualism. Markets, to function efficiently and effectively, require the rules and structure of civil society, and must be subject to surveillance and controls by a civil authority in order to keep them honest, to enforce contractual relationships, to sustain competition and to mitigate socially unjust outcomes. Market economies thus involve a balanced, dynamic tension between entrepreneurial initiative and the societal precepts of cooperation. This balance can operate through law or custom, and in a modern market economy they will be administered by government and enforced by the courts. Governments, in turn, have their propensity to control kept in check by balancing mechanisms in their political and economic systems, and in particular their desire for markets to create and grow wealth.

The challenge confronting advocates of structural reform is how to bring about a transformation away from an equilibrium situation which exists, and which offers some sense of stability and familiarity even if the outcome - in economic terms - is not satisfactory, and move to a more dynamic yet orderly equilibrium which would offer improved prospects for economic and social development. The impulse to reform is both simple to comprehend yet extraordinarily complex to implement. Its processes are little understood, the path to change is uncharted. It is a question in search of an empirical answer.

Sub section 4.3 The need for new and relevant aid instruments

When the donor community shifted its focus from aid for the post-war rehabilitation of Western Europe to aid to for newly independent emerging economies in the fifties, it was necessary for donors to design new concepts of development cooperation and invent new instruments for the transfer of assistance so as to become relevant to and responsive to the needs

that were now manifest. Today, conditions in the NIS region are substantially different from previous situations in either post-war Europe or the Third World. One would have assumed that an array of new instruments for cooperation and assistance would have been designed to respond to this dramatically new situation. In fact, except for the establishment of the EBRD, which involved little of an innovative quality, as we have seen, little innovation has been attempted to date. The conjunction between the need for new instruments for the transfer of appropriate types of assistance and support for a paradigm shift that must accompany effective reform, remains by and large unrecognized among Western donor agencies.

This lacuna, and the imperative for innovation in the development of new and appropriate forms of assistance, seem likely to become increasingly salient issues in the policy dialogue between Western aid donors and the NIS.

It is the challenge of creating a relevant new transfer mechanism that this presentation intends to address.

^a In *Awélé*, by Pascal Reyssset & François Pingaud, Chiron, Paris 1995

^b Alain Peyrefitte essay on the source of wealth and development, “La société de confiance”, Odile Jacob, Paris, 1995, demonstrates the central role of confidence. Confidence is a generic term which refers to a general attitude toward things that seem foreign. A positive attitude of confidence allows for a faster acceptance of new ideas, new techniques and new values. In the context of a changing world, with scientific and technological progress moving at a very high speed, a high tolerance to new ideas is the most effective attitude in adapting to changes in a viable and sustainable manner. No society is totally confident or completely tolerant to change; resistance always exists. The significant question is: “Is the attitude of a society generally negative with respect to foreign or new ideas, values, products or peoples, or is it on average positive?” Countries which adopt a more open attitude have consistently been better performers economically. Conversely, countries where protectionist measures run high, which are hostile to things foreign, which consistently deny progress and new ideas because they do not fit with traditions, have demonstrated throughout history sluggish growth and increasing pauperization of their populations.

^c There can be many types of networks, including informal ones, such as we find among scientists - in any highly specialized domain, there will be few researchers who know each other, get together regularly at international symposia, and are used to exchanging views, ideas, and even their discoveries. There is no one officially in charge of making such a network operate. It runs by itself, in a sense, and its cost is small. It can be argued that, relative to its cost, it is a most efficient model: it can lead to infinitely great advantages, pecuniary and otherwise, while its operating costs are next to nothing. On the other hand, there are formal networks, with imposing structures and widely respected identities, comprising a core of officials serving both the institution and the network. The OECD and INTERPOL are two prime examples. A third category can also be identified, that may be more rare but no less effective: it blends informality within a structured arrangement: the World Bank's annual consortia meetings would fit this description. There lies a whole gamut of network possibilities, ranging from informal but structured to more formal but less structured networks. During the eighties, networking became a feature of the communications industry. At first computer networks were merely the instruments of an existing network of individuals; however, with the emergence of Internet and the World Wide Web, we are witnessing the birth of a new entity, literally a world community, an immense network of unsurpassed might where hundreds of millions of individuals, companies and institutions freely exchange information. Many experts have heralded this as the beginning of a new revolution, technological and social.

^d These ideas are fully developed in a text available on the Internet: :WWW.idrc.ca/oceei/standards.html

^e The following chapters will deal extensively with the OECD